

CITY OF SLATER

Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings

June 30, 2011

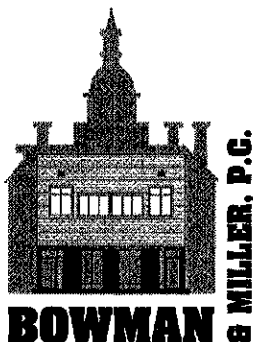
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CITY OF SLATER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Halverson	Mayor	Jan 2012
Gene Staples	Mayor Pro Tem	Jan 2014
Ken May	Council Member	Jan 2014
Tim Locker	Council Member	Jan 2014
Mike Higgs	Council Member	Jan 2012
Steve Ransom	Council Member	Jan 2012
Mary E. Sprouse	City Administrator/Clerk	Indefinite
Frank Feilmeyer	City Attorney	Jan 2012



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Slater's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2011 on our consideration of the City of Slater's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Slater's basic financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 and the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Slater provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 0.1%, or approximately \$800, from fiscal year 2010 to fiscal year 2011. Property tax receipts and local option sales tax decreased approximately \$61,100 and \$8,900, respectively, while charges for services and operating grants, contributions and restricted interest increased \$9,800 and 29,600, respectively.
- Disbursements of the City's governmental activities decreased 7.8%, or approximately \$96,200, in fiscal year 2011 from fiscal year 2010. Capital projects disbursements decreased approximately \$136,900 while debt service disbursements increased approximately \$29,100.
- The City's total cash basis net assets increased 2.6%, or approximately \$39,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$12,200 and the assets of the business type activities increased approximately \$51,200.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, resource recovery-landfill and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Tax Increment Financing, and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Resource Recovery-Landfill and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,161,000 to approximately \$1,149,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 79,137	69,295
Operating grants, contributions and restricted interest	187,697	158,080
General receipts:		
Property tax	656,663	717,713
Local option sales tax	145,433	154,361
Other city tax	-	1,934
Unrestricted interest on investments	1,105	6,316
Other general receipts	48,717	11,842
Total receipts	<u>1,118,752</u>	<u>1,119,541</u>
Disbursements:		
Public safety	102,002	96,244
Public works	115,576	121,697
Health and social services	2,908	-
Culture and recreation	211,353	209,592
Community and economic development	29,344	21,312
General government	114,347	115,131
Debt service	364,709	335,583
Capital projects	190,699	327,614
Total disbursements	<u>1,130,938</u>	<u>1,227,173</u>
Change in cash basis net assets	(12,186)	(107,632)
Cash basis net assets beginning of year	<u>1,161,093</u>	<u>1,268,725</u>
Cash basis net assets end of year	\$ <u>1,148,907</u>	<u>1,161,093</u>

The City's total receipts for governmental activities decreased 0.1%, or approximately \$800. The total cost of all programs and services decreased approximately \$96,200, or 7.8%, with no new programs added this year. The decrease in disbursements was primarily the result of a decrease in capital outlay expenditures.

The cost of all governmental activities this year was approximately \$1,131,000 compared to approximately \$1,227,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-10, the amount taxpayers ultimately financed for these activities was only \$864,100 because some of the cost was paid by those directly benefited from the programs (\$79,100) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$187,700). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$227,400 to approximately \$266,800, principally due to receiving FEMA payments totaling nearly \$11,200 and an increase of approximately \$8,300 in road use tax monies received from the State. The City paid for the remaining "public benefit" portion of governmental activities (\$864,100) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 282,707	250,061
Sewer	271,443	273,638
Resource recovery - landfill	41,273	38,899
Note proceeds	-	13,655
Total receipts	<u>595,423</u>	<u>576,253</u>
Disbursements:		
Water	273,994	266,610
Sewer	228,403	228,132
Resource recovery - landfill	41,880	28,302
Total disbursements	<u>544,277</u>	<u>523,044</u>
Change in cash basis net assets	51,146	53,209
Cash basis net assets beginning of year	<u>357,568</u>	<u>304,359</u>
Cash basis net assets end of year	<u>\$ 408,714</u>	<u>357,568</u>

Total business type activities receipts for the fiscal year were approximately \$595,400 compared to approximately \$576,300 last year. The cash balance increased approximately \$51,200 from the prior year because of an increase in receipts for water service. Total disbursements for the fiscal year increased 4.1% to approximately \$544,300.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Slater completed the year, its governmental funds reported a combined fund balance of \$1,148,907, a decrease of approximately \$12,200 from last year's total of \$1,161,093. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$116,296 from the prior year to \$557,374. This was primarily due to an increase in general property tax receipts and intergovernmental aid.
- The Special Revenue, Road Use Tax Fund cash balance increased \$33,588 to \$72,768 during the current fiscal year. This increase is attributable to an increase in road use tax receipts received from the State and a decrease in spending for street maintenance in fiscal year 2011.
- The Special Revenue, Tax Increment Financing Fund cash balance remained virtually unchanged from the prior year due to a transfer out to the Debt Service Fund.
- The Special Revenue, Local Option Sales Tax Fund cash balance remained virtually unchanged from the prior year due to transfers out to the General and Debt Service Funds.
- The Capital Projects Fund cash balance decreased by \$172,532 to \$109,228 primarily because of intergovernmental receipts and note proceeds for capital expenditures being received in previous years.
- The Debt Service Fund cash balance increased by \$8,788 to \$69,989 from the prior year as a result of transfers in from the Local Option Sales Tax and Tax Increment Financing Funds.
- The Permanent Fund cash balance remained virtually unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$8,713 to a deficit balance of \$13,424 primarily due to an increase in service charges.
- The Enterprise, Sewer Fund cash balance increased by \$43,040 to \$386,713.
- The Enterprise, Resource Recovery – Landfill Fund cash balance of \$35,425 is virtually unchanged from the prior year.

BUDGETARY HIGHLIGHTS

The City amended its budget once during the year. The amendment was approved on May 9, 2011 and resulted in a decrease in total operating disbursements of \$135,657. The amendment was primarily the result of less capital project work being completed than originally planned.

The City's disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$2,500,626 of long-term debt outstanding, compared to \$2,818,127 outstanding last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation notes	\$ 1,350,000	1,571,500
Water revenue note	211,626	243,627
Sewer revenue bonds	<u>939,000</u>	<u>1,003,000</u>
Total	\$ <u>2,500,626</u>	<u>2,818,127</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,350,000 is significantly below its constitutional debt limit of approximately \$3,960,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Slater's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Sprouse, City Administrator, 105 Greene Street, Slater, Iowa 50244.

CITY OF SLATER
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2011

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 102,002	5,702	41,282
Public works	115,576	-	130,665
Health and social services	2,908	-	-
Culture and recreation	211,353	73,385	6,163
Community and economic development	29,344	50	9,587
General government	114,347	-	-
Debt service	364,709	-	-
Capital projects	190,699	-	-
Total governmental activities	<u>1,130,938</u>	<u>79,137</u>	<u>187,697</u>
Business type activities:			
Water	273,994	282,707	-
Sewer	228,403	271,443	-
Resource recovery - landfill	41,880	41,273	-
Total business type activities	<u>544,277</u>	<u>595,423</u>	<u>-</u>
Total	<u>\$ 1,675,215</u>	<u>674,560</u>	<u>187,697</u>
General receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Licenses and permits			
Unrestricted interest on investments			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net assets			

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(55,018)	-	(55,018)
15,089	-	15,089
(2,908)	-	(2,908)
(131,805)	-	(131,805)
(19,707)	-	(19,707)
(114,347)	-	(114,347)
(364,709)	-	(364,709)
(190,699)	-	(190,699)
(864,104)	-	(864,104)
-	8,713	8,713
-	43,040	43,040
-	(607)	(607)
-	51,146	51,146
(864,104)	51,146	(812,958)
328,310	-	328,310
242,503	-	242,503
85,850	-	85,850
145,433	-	145,433
9,801	-	9,801
1,105	-	1,105
38,916	-	38,916
851,918	-	851,918
(12,186)	51,146	38,960
1,161,093	357,568	1,518,661
\$ 1,148,907	408,714	1,557,621
\$ 11,026	-	11,026
72,768	-	72,768
144,466	-	144,466
69,989	17,700	87,689
109,228	-	109,228
378,423	-	378,423
363,007	391,014	754,021
\$ 1,148,907	408,714	1,557,621

CITY OF SLATER
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

	General	Special Revenue		
		Road Use Tax	Tax Increment Financing	Local Option Sales Tax
Receipts:				
Property tax	\$ 328,310	-	-	-
Tax increment financing	-	-	85,850	-
Other city tax	-	-	-	145,433
Licenses and permits	9,801	-	-	-
Use of money and property	5,530	-	-	-
Intergovernmental	50,059	130,665	-	-
Charges for service	78,722	-	-	-
Miscellaneous	23,297	-	-	-
Total receipts	495,719	130,665	85,850	145,433
Disbursements:				
Operating:				
Public safety	102,002	-	-	-
Public works	18,499	97,077	-	-
Health and social services	2,908	-	-	-
Culture and recreation	211,353	-	-	-
Community and economic development	29,344	-	-	-
General government	114,347	-	-	-
Debt service	-	-	70,024	-
Capital projects	-	-	-	-
Total disbursements	478,453	97,077	70,024	-
Excess (deficiency) of receipts over (under) disbursements	17,266	33,588	15,826	145,433
Other financing sources (uses):				
Operating transfers in	99,030	-	-	-
Operating transfers out	-	-	(15,000)	(145,000)
Total other financing sources (uses)	99,030	-	(15,000)	(145,000)
Net change in cash balances	116,296	33,588	826	433
Cash balances beginning of year, as restated	441,078	39,180	143,640	183,623
Cash balances end of year	\$ 557,374	72,768	144,466	184,056
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	-	-	-	-
Restricted for:	\$			
Streets	-	72,768	-	-
Urban renewal purposes	-	-	144,466	-
Property tax relief	-	-	-	184,056
Debt service	-	-	-	-
Capital projects	-	-	-	-
Assigned for economic development	194,367	-	-	-
Unrestricted	363,007	-	-	-
Total cash basis fund balances	\$ 557,374	72,768	144,466	184,056

Capital Projects	Debt Service	Permanent Fund	Total
-	242,503	-	570,813
-	-	-	85,850
-	-	-	145,433
-	-	-	9,801
-	-	-	5,530
-	-	-	180,724
-	-	415	79,137
18,167	-	-	41,464
18,167	242,503	415	1,118,752

-	-	-	102,002
-	-	-	115,576
-	-	-	2,908
-	-	-	211,353
-	-	-	29,344
-	-	-	114,347
-	294,685	-	364,709
190,699	-	-	190,699
190,699	294,685	-	1,130,938
(172,532)	(52,182)	415	(12,186)

-	60,970	-	160,000
-	-	-	(160,000)
-	60,970	-	-

(172,532)	8,788	415	(12,186)
281,760	61,201	10,611	1,161,093
109,228	69,989	11,026	1,148,907

-	-	11,026	11,026
-	-	-	72,768
-	-	-	144,466
-	-	-	184,056
-	69,989	-	69,989
109,228	-	-	109,228
-	-	-	194,367
-	-	-	363,007
109,228	69,989	11,026	1,148,907

CITY OF SLATER
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

	Enterprise			
	Resource Recovery -			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 282,472	270,901	41,273	594,646
Miscellaneous	235	542	-	777
Total operating receipts	282,707	271,443	41,273	595,423
Operating disbursements:				
Business type activities	234,685	134,313	41,880	410,878
Total operating disbursements	234,685	134,313	41,880	410,878
Excess (deficiency) of operating receipts over (under) operating disbursements	48,022	137,130	(607)	184,545
Non-operating disbursements:				
Debt service	(32,000)	(64,000)	-	(96,000)
Interest expense	(7,309)	(30,090)	-	(37,399)
Total non-operating disbursements	(39,309)	(94,090)	-	(133,399)
Net change in cash balances	8,713	43,040	(607)	51,146
Cash balances beginning of year	(22,137)	343,673	36,032	357,568
Cash balances end of year	\$ (13,424)	386,713	35,425	408,714
Cash Basis Fund Balances				
Reserved for debt service	\$ -	17,700	-	17,700
Unreserved	(13,424)	369,013	35,425	391,014
Total cash basis fund balances	\$ (13,424)	386,713	35,425	408,714

CITY OF SLATER
Notes to Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Slater is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, landfill and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Slater has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Emergency Management Commission, Story County E911 Service Board, and the High Trestle Trail Committee.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the local option sales tax receipts.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for projects associated with the pool, bike path, and demolition of old buildings.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Permanent Fund is used to account for funds collected for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system

The Enterprise, Sewer Fund, which includes the Enterprise, Storm Sewer Fund, accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Resource Recovery – Landfill Fund accounts for the per capita charge from using the City of Ames' resource recovery plant.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2011

(3) Pension and Retirement Benefits (Continued)

Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$17,620, \$16,680 and \$14,699, respectively, equal to the required contributions for each year.

(4) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and water and sewer revenue notes and bonds are as follows:

Year Ending June 30,	General Obligation		Revenue Bonds and Note				Total	
	Notes		Water		Sewer			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 197,000	60,800	32,000	6,349	66,000	28,170	295,000	95,319
2013	203,000	51,977	34,000	5,389	68,000	26,190	305,000	83,556
2014	214,500	42,738	35,000	4,369	70,000	24,150	319,500	71,257
2015	221,000	32,868	36,000	3,319	72,000	22,050	329,000	58,237
2016	134,500	22,542	37,000	2,239	75,000	19,890	246,500	44,671
2017-2021	380,000	31,720	37,626	1,129	407,000	64,470	824,626	97,319
2022-2026	-	-	-	-	181,000	8,190	181,000	8,190
	\$ 1,350,000	242,645	211,626	22,794	939,000	193,110	2,500,626	458,549

The water revenue capital loan note and sewer revenue bonds were issued for construction of water and wastewater projects of the City. The resolution providing for the issuance of the revenue bonds include the following provisions: (a) the bonds will only be redeemed from the future earnings of the enterprise activity funds and the bond holders hold a lien on the future earnings of the funds, (b) sufficient monthly transfers shall be made to a separate sewer bond sinking accounts for the purpose of making the bond principal and interest payments when due.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 3 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a partially self-funded medical plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premium is \$1,094 for family coverage. Currently there are no active members on single coverage. The most recent retiree member monthly premium \$884 for single coverage, however, the City contributes the difference between the active and retiree member's premium rate. For the year ended June 30, 2011, the City contributed 100% of the plan membership for active members and a portion of the plan membership for the retiree at a cost of \$69,280. The retiree member eligible for benefits contributed \$5,539 to the plan.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2011

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ <u>17,117</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue: Local Option Sales Tax	\$ <u>99,030</u>
Debt Service	Special Revenue: Local Option Sales Tax	45,970
	Special Revenue: Tax Increment Financing	<u>15,000</u>
		<u>60,970</u>
Total		\$ <u>160,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Slater is exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Litigation

The City is subject to pending litigation seeking compensatory damages from Oakview Construction, Inc. regarding the construction of the City pool in 2004. Oakview Construction filed a counterclaim against the City seeking unspecified damages. The City intends to defend the counterclaim vigorously and believes its claims against Oakview exceed the amount of damages Oakview is seeking in its counterclaim.

CITY OF SLATER

Notes to Financial Statements (Continued)

June 30, 2011

(10) Commitment

In 2001 the City entered into an agreement with Jissom, Inc. to develop residential housing in a Tax Increment Financing district (T.I.F.) per the City's Urban Renewal Plan. An additional development agreement was made with Jissom, Inc. in 2004. The 2001 and 2004 development agreements were amended in August 2010. Per the amended 2001 agreement, the City is required to contribute \$55,745 to the City's low and moderate income housing fund (L.M.I.) and owes no further amounts to the Developer. Per the amended 2004 agreement, the total maximum amount of reimbursement available to the Developer is \$558,372. The Developer will receive rebates on a semi-annual basis from the Phase III T.I.F. Fund. The timing and value of the future development is unknown, and therefore, the amount of rebate that will be paid each year is indeterminable. The final rebate payment is scheduled for December 1, 2012. Prior to the final payment, if more than 43.90% of the units in the project area are occupied by low and moderate income families, the Developer will be eligible to receive rebates for an additional three years. The City expects the LMI occupancy rate to reach 43.90% and continue to pay the Developer until December 1, 2015.

(11) Deficit Balance

The Water Fund had a deficit balance of \$13,424 at June 30, 2011. The deficit balance was a result of capital outlay expenditures and incorrect implementation of rate charges. The water and sewer rates were reversed, causing the excess balance in the Sewer Fund and deficit balance in the Water Fund. The council adjusted water and sewer rates as of March 1, 2011 and will transfer funds to the Water Fund to eliminate the deficit in fiscal year 2012.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue Economic Development</u>
Balances June 30, 2010, as previously reported	\$ 244,730	196,348
Change in fund type classification per implementation of GASB Statement No. 54	<u>196,348</u>	<u>(196,348)</u>
Balances July 1, 2010, as restated	<u><u>\$ 441,078</u></u>	<u><u>-</u></u>

(13) Subsequent Event

On November 21, 2011, the City reached a settlement with MER Engineering Co. in regards to construction of the City pool in 2004. MER will pay the City \$240,000 in exchange for the City's dismissal of its claims.

CITY OF SLATER
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances - Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 570,813	-
Tax increment financing	85,850	-
Other city tax	145,433	-
Licenses and permits	9,801	-
Use of money and property	5,530	-
Intergovernmental	180,724	-
Charges for services	79,137	594,646
Miscellaneous	41,464	777
Total receipts	<u>1,118,752</u>	<u>595,423</u>
Disbursements:		
Public safety	102,002	-
Public works	115,576	-
Health and social services	2,908	-
Culture and recreation	211,353	-
Community and economic development	29,344	-
General government	114,347	-
Debt service	364,709	-
Capital projects	190,699	-
Business type activities	-	544,277
Total disbursements	<u>1,130,938</u>	<u>544,277</u>
Excess (deficiency) of receipts over (under) disbursements	(12,186)	51,146
Balances beginning of year	<u>1,161,093</u>	<u>357,568</u>
Balances end of year	<u>\$ 1,148,907</u>	<u>408,714</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
570,813	557,529	557,529	13,284
85,850	85,000	85,000	850
145,433	153,677	153,677	(8,244)
9,801	975	975	8,826
5,530	500	500	5,030
180,724	492,091	492,091	(311,367)
673,783	619,136	619,136	54,647
42,241	8,250	8,250	33,991
1,714,175	1,917,158	1,917,158	(202,983)
102,002	96,488	107,218	5,216
115,576	132,500	143,750	28,174
2,908	1,500	3,000	92
211,353	264,286	300,798	89,445
29,344	248,235	91,446	62,102
114,347	114,410	153,765	39,418
364,709	301,604	372,204	7,495
190,699	600,000	388,050	197,351
544,277	531,938	595,073	50,796
1,675,215	2,290,961	2,155,304	480,089
38,960	(373,803)	(238,146)	277,106
1,518,661	1,590,107	1,590,107	(71,446)
1,557,621	1,216,304	1,351,961	205,660

CITY OF SLATER
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$135,657. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

CITY OF SLATER
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Pool	May 1, 2004	3.75 %	\$ 700,000
Fire truck	Mar 1, 2005	4.00	135,000
Pool	Nov 15, 2005	4.00	75,000
Pool, water utility, maintenance shop, fire station and library roof	May 1, 2006	3.80 - 4.70 %	\$ 320,000
Corporate purpose	Apr 15, 2007	5.35 - 5.90	590,000
Corporate purpose	Apr 15, 2007	4.00 - 4.25	535,000
Total			
Revenue bonds and note:			
Water revenue capital loan note	March 2007	3.00 %	\$ - *
Sewer revenue bonds	Nov 13, 2002	3.00	1,500,000
Total			

* Water revenue capital loan note is part of the Drinking Water Program with the Iowa Finance Authority. The note is a revolving loan, with the City able to draw up to \$800,000 when necessary.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
380,000	-	70,000	310,000	14,250	-
76,000	-	14,000	62,000	3,040	-
50,500	-	7,500	43,000	2,020	-
145,000	-	50,000	95,000	6,290	-
425,000	-	65,000	360,000	24,188	-
495,000	-	15,000	480,000	20,697	-
\$ 1,571,500	-	221,500	1,350,000	70,485	-
* 243,626	-	32,000	211,626	7,309	-
1,003,000	-	64,000	939,000	30,090	-
\$ 1,246,626	-	96,000	1,150,626	37,399	-

CITY OF SLATER
Bond and Note Maturities
June 30, 2011

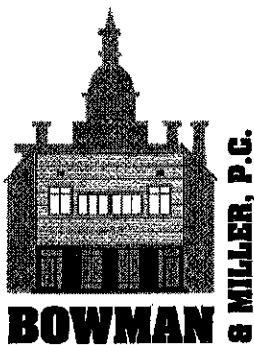
General Obligation Notes						
Year Ending June 30,	Pool		Fire Truck		Pool	
	Issued May 1, 2004		Issued Mar 1, 2005		Issued Nov 15, 2005	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	3.75 %	\$ 75,000	4.00 %	\$ 14,000	4.00 %	\$ 8,000
2013	3.75	75,000	4.00	15,000	4.00	8,000
2014	3.75	80,000	4.00	16,000	4.00	8,500
2015	3.75	80,000	4.00	17,000	4.00	9,000
2016	-	-	-	-	4.00	9,500
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
Total		<u>\$ 310,000</u>		<u>\$ 62,000</u>		<u>\$ 43,000</u>

Revenue Bonds and Note						
Year Ending June 30,	Water		Sewer		Total	
	Issued Apr 22, 2009		Issued Nov 13, 2002			
	Interest Rate	Amount	Interest Rate	Amount		
2012	3.00 %	\$ 32,000	3.00 %	\$ 66,000	\$ 98,000	
2013	3.00	34,000	3.00	68,000	102,000	
2014	3.00	35,000	3.00	70,000	105,000	
2015	3.00	36,000	3.00	72,000	108,000	
2016	3.00	37,000	3.00	75,000	112,000	
2017	3.00	37,626	3.00	77,000	114,626	
2018	-	-	3.00	79,000	79,000	
2019	-	-	3.00	81,000	81,000	
2020	-	-	3.00	84,000	84,000	
2021	-	-	3.00	86,000	86,000	
2022	-	-	3.00	89,000	89,000	
2023	-	-	3.00	92,000	92,000	
Total		\$ 211,626		\$ 939,000	\$ 1,150,626	

Pool, water utility, maintenance shop, fire station and library roof		Corporate Purpose		Corporate Purpose		Total
Issued May 1, 2006		Issued Apr 15, 2007		Issued Apr 15, 2007		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
4.20 %	\$ 15,000	5.55 %	\$ 70,000	4.10 %	\$ 15,000	\$ 197,000
4.30	15,000	5.65	75,000	4.15	15,000	203,000
4.40	15,000	5.75	80,000	4.20	15,000	214,500
4.50	15,000	5.85	85,000	4.25	15,000	221,000
4.60	15,000	5.90	50,000	4.10	60,000	134,500
4.70	20,000	-	-	4.15	115,000	135,000
-	-	-	-	4.20	120,000	120,000
-	-	-	-	4.25	125,000	125,000
	<u>\$ 95,000</u>		<u>\$ 360,000</u>		<u>\$ 480,000</u>	<u>\$ 1,350,000</u>

CITY OF SLATER
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Six Years

	2011	2010	2009	2008	2007	2006
Receipts:						
Property tax	\$ 570,813	524,951	506,681	558,301	408,036	378,411
Tax increment financing	85,850	192,762	184,245	168,120	114,191	152,168
Other city tax	145,433	156,295	173,291	153,485	158,182	138,232
Licenses and permits	9,801	3,862	2,302	12,557	1,400	2,668
Use of money and property	5,530	7,216	9,099	10,001	11,127	6,715
Intergovernmental	180,724	153,687	328,467	147,336	222,686	191,955
Charges for services	79,137	69,295	70,006	49,159	78,361	77,583
Miscellaneous	41,464	11,473	55,855	16,727	57,608	32,774
Total	\$ 1,118,752	1,119,541	1,329,946	1,115,686	1,051,591	980,506
Disbursements:						
Operating:						
Public safety	\$ 102,002	96,244	92,814	107,186	91,704	122,105
Public works	115,576	121,697	208,753	135,687	131,579	225,450
Health and social services	2,908	-	1,777	460	-	2,968
Culture and recreation	211,353	209,592	223,164	243,194	254,313	510,220
Community and economic development	29,344	21,312	9,453	7,376	17,402	-
General government	114,347	115,131	81,978	105,134	220,551	277,547
Debt service	364,709	335,583	467,647	436,544	172,257	301,751
Capital projects	190,699	327,614	475,512	65,700	250,555	-
Total	\$ 1,130,938	1,227,173	1,561,098	1,101,281	1,138,361	1,440,041



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 23, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Slater's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Slater's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on the City of Slater's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Slater's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as Item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Slater's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Slater's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Slater's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Slater and other parties to whom the City of Slater may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Slater during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 23, 2011

CITY OF SLATER
Schedule of Findings
Year ended June 30, 2011

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Payroll preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its internal control procedures to obtain the maximum internal control possible under the circumstances.

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011, did not exceed the amounts budgeted.

III-B-11 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-11 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-G-11 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2011

- III-H-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session several times during the year. The minutes did not document the applicable code section and did not indicate a roll call vote was taken as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should document the proper code section and take roll call vote as required.

Response – We will comply with the Code requirements for closed sessions in the future.

Conclusion – Response accepted.

- III-I-11 Financial Condition – The Water enterprise fund had a deficit balance of \$13,424 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The City adjusted water rates as of March 1, 2011 and will transfer funds to the Water Fund to eliminate the deficit balance in fiscal year 2012.

Conclusion – Response accepted.

- III-J-11 Transfers – The City transferred money to and from various funds at the end of the year. However, these transfers were not approved by the Council prior to the actual transfer.

Recommendation – The City should approve all fund transfers prior to the actual transfer and document the approval and amounts in the minutes.

Response – The City will approve and document all future transfers prior to making the actual transfer.

Conclusion – Response accepted.

- III-K-11 Officer Depositories – A resolution naming official depositories has been approved by the City Council. The maximum amount stated in the resolution for South Story Bank & Trust was exceeded during the year ended June 30, 2011.

Recommendation – The City should act to increase the maximum depository amount.

Response – The City Council increased the maximum depository amount at their October 4, 2010 meeting.

Conclusion – Response accepted.

CITY OF SLATER

Staff

This audit was performed by:

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